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Bayard, Thomas Francis

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[S.I.]

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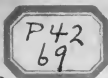
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LETTER
OF
SENATOR T. F. BAYARD,
OF DELAWARE.

WILMINGTON, DELAWARE, Nov. 5, 1875.

To the Editor of the Atlanta Herald :

MY DEAR SIR: It would have saved me some hours in a time of business pressure if I could have had the aid of a stenographer at Mason, to report the speech I made there to the people of Georgia.

But as no report of my speech was made I cannot fail, in view of the great importance of the subject, to comply with your request for "an open letter" in relation to the question of national finance and currency, which so interests and agitates the public mind at this time. I shall speak as plainly as I can, and must be forgiven if I reassert truisms, which seem, however, to be overlooked by many who discuss the subject nowadays.

Whatever is by law called "money"—the legalized currency of the country—is the basis of all public and private contracts, and, therefore, of credit—being made by law the equivalent for all things purchasable.

If this "money" contains in itself no intrinsic value, it cannot be used as a standard by which to measure the value of other commodities, and thus at once fails in the highest attribute of money, because instability is its inherent and necessary feature; instability is uncertainty, and uncertainty is the fruitful parent of fraud and wrong.

Thus, if with such "money" we buy land, or houses, or horses, or bread, and obtain credit for such purchases, the currency, having no fixed value, fluctuates from day to day, so that no buyer can know how much he will have to pay when his debts fall due, nor can the seller know what value he is to receive; and thus all ordinary business operations become speculative and gambling transactions. With a basis so changeable all loans of money are uncertain, as the lender can feel no confidence that he will get back a value equal to that with which he parted, and will, therefore, hesitate to make the loan, unless upon a profit equivalent to his supposed risk, and this undue profit is always paid by the borrower.

If the lender was made to feel confident that the currency he loaned would not be returned to him depreciated in value, he would gladly put it to use, and on moderate terms.

It is the absence of such confidence that produces "contraction," and gives rise to the complaints we often hear of "want of money," and which causes the paralysis we witness in every branch of trade and business.

The threat of "inflation"—that is, of increasing the volume of irredeemable paper notes of the Government, and thereby necessarily decreasing the value in a greater ratio—produces "contraction" in the amount of loans, because it lessens the confidence which induces men, having money, to lend it. Thus the inflationists have been all along, and are now, the real foes of those who wish to borrow money, on reasonable terms, in order to employ men who labor for their daily bread.

We witness in the cities a plethora of currency, which the owners long to invest—to lend upon interest—but which the insecurity produced by the threat of inflation deters.

To-day money can be borrowed in millions in New York at the rate of 3 per cent. per annum "on call" and secured by abundant collateral; but it will not be lent on time, or permanently invested, until the owners are assured it will be faithfully repaid undepreciated in value. That condition secured, and the loan is easy.

In other days it was the rigid and faithful performance of their contracts which gave to the banks of Charleston, South Carolina, Mobile, New Orleans, Savannah and other cities of the South their enviable fame and credit throughout the Union. Some of these institutions never failed to redeem their notes on demand in gold and silver coin, even in the midst of general temporary suspensions of specie payment—so rooted were they in stubborn, old-fashioned integrity. This was not only expedient, but it was right. It made loans easy to be obtained, because they

were to be faithfully returned; and the rate of interest was low, because the risk of ending was small.

And we must not forget that as factors in all these transactions personal integrity and good faith were ever present—which were the conditions of high mercantile standing in the cities I have named.

Nowhere in the wide world of commerce was strict business integrity more rigidly insisted upon and more honored than in the cities of Charleston, Savannah, Mobile and New Orleans, when the real men of the South had control of affairs, and before the days of carpet-bagging and military interference.

The time has again come when the true men of the South should, as I believe they can and will, restore the old regime of high personal character, and at once speak, plainly and sensibly as of yore, in favor of such a policy of administration as shall lead to the substitution of a sound currency, convertible at the will of the holder into gold or silver coin. Such a policy announced by them will instantly give confidence to those who own capital or who control capital, and we should witness the quick reward of such proofs of wisdom and sound policy in the abundant supply of money upon mortgages and other security, and the States of the South would become the theatre of the investment of capital, which now lies idle in the money centres for want of confidence alone.

Recent legislation in the West, in Wisconsin and the late declaration in Ohio, have alarmed capital and will prevent its flow in those quarters, where it has heretofore gone so freely, and will induce its recall whenever practicable until the citizens of those States shall take steps to reassure their creditors of their intent to give due protection by law to all investments.

Therefore it is that I see in the present condition of affairs, and of public sentiment, the great opportunity for the restoration of the laws of sound finance, by return to the limitations of the Federal Constitution upon the powers of Congress in relation to this most important subject.

Ever since 1862 there has existed a combination between the Federal Administration and the moneyed power of the country, unwholesome for both and unsafe for the country at large.

It has its basis in the system of National Banks organized under act of Congress, and subject to the will of a Congressional majority—a condition of things never warranted by the letter and spirit of the Constitution of the Federal nature of our system of Government.

Under it the banking business of the entire country has been restricted to one special kind of capital; that is, the bonds of the United States Government, and the employment of all other descriptions of capital as a basis for banking has been rigidly excluded from competition.

Credit has been restricted to the single form of National Bank Notes, and this has been unlawfully and unwisely taken from the States and the people, where it has naturally belonged under the usage of our Government from its foundation, and deposited under the sole and despotic control of Congress.

This was all accomplished by the passage of an act of Congress which, under the pretext of taxing the State banking institutions for the purposes of revenue, crushed their circulation out of existence.

So long as this lasts, and Congress is invested with the power and sole discretion to determine and control the volume of currency—the extent of emissions of paper currency for all the States and people—just so long uncertainty and dissatisfaction will prevail, and the sound and true principles of banking and credit will be disregarded.

The ebb and flow of party power changes Congressional majorities from year to year, and I can imagine no body of men so unfit to exercise so great a power and peculiar discretion as the accidental majority of Congress. Such a power has never been exercised in Great Britain. Even there under their Imperial system, and all the political omnipotences of Parliament, such folly as confining the banking business of the country to a single species of capital, or preventing any banker or banking association from using his or their credit by the emission of notes in any form they saw fit, has never been attempted or suggested.

Therefore we see the numerous banks of Scotland and Ireland and England, "country banks" they are called, pursuing a safe, useful and profitable business, supplying currency notes to their customers, and regulating the volume of such issues under such limitation as self-preservation and the laws compelling redemption of their notes on demand in gold and silver coin make necessary.

The notes of the Scotch and Irish banks float side by side with the notes of the Bank of England and the coined money of the realm in all avenues of business. They are not and never were a legal tender, but convertible at will into coin they became practically equivalent.

The combination between the moneyed power of the country and Congress gives to the former a degree of influence over legislation which is inconsistent with

the public interest, and hostile to popular freedom, and at the same time capital is subjected to the ignorant or capricious control of Congressional legislation, rendering its operations insecure and unstable.

Is it not manifest that there is now a favorable opportunity for the Southern States to assist in aiding the country to return to systems of sound finance and currency under the limitations imposed by the Federal Constitution on the power of Congress over this important subject?

The cry of Kelley, Butler, Wendell Phillips, and (alas!) here and there a Democrat, is against "money rings," "bloated bondholders," "coupon clippers," &c., &c., and passing by for a moment the infamous nature of such appeals, such outrages upon the law of the land, which is for the rich as well as the poor, does not a moment's reflection make it manifest that all the profits of speculation in our paper money of credit—those changes in its value which are going on day by day and hour by hour, all are at the cost of the laborer and consumer, and benefit the very classes against whom Kelley & Co. seek to excite popular and ignorant prejudices?

The moneyed classes have it always in their power, by the purchase or sale of gold, to raise or lower the value of the paper dollar; and when Kelley and Butler insist upon a continuance of the system of irredeemable paper money, they put directly into the hands of the very classes they affect to assail, and perpetuate in their hands a control over the currency dangerous to the welfare of the laboring and producing classes.

It is the man whose daily toil supplies that day's need; the man whose reliance is upon steady industry to whom the fluctuation in the value of the currency, in which he is paid, are so full of distress and loss. That which depletes him fills the pockets of the speculative class.

How wise and eloquent are the words of Webster "Of all contrivances for cheating the laboring classes of mankind, none has been more successful than that which clothes them with paper money." This is the most effectual of inventions to fertilize the rich man's field with the sweat of the poor man's brow. Ordinary tyranny, oppression, excessive taxation, these bear lightly on the most of the community, compared with the robberies committed by a depreciated paper money."

I feel the welfare of all our people is bound up in a proper settlement of this great question, and especially by the Southern people, to whom relief from the present unfriendly Administration at Washington, which is continually frowning upon them, and threatening even the very existence of States, is immediately and vitally important.

Finance has its laws, and the business of the commercial world moulds these laws, and the nation that refuses to conform to them must suffer just in proportion to the extent of such refusal.

The currency of a country is the basis of its business, and if it consists of a money without intrinsic value—a money based upon credit only—and inconvertible and irredeemable at any time, it will have no value whatever outside the jurisdiction of the Government by whom it is issued, and is totally useless in the markets of the world.

Therefore, being inferior in value to the money of the world, it will always depreciate, and being depreciated, it will drive out of circulation all other currency of superior value; for the obvious reason that no one will give in exchange a thing of greater value if he can obtain that which he needs for something of less value, and thus the currency of superior value will disappear and find its way into places where it can be used as money, and without loss.

The law of supply and demand will control, and gold, like water, find its level.

To invest paper currency with the attribute of being a legal tender for all debts, is but to increase and intensify its powers for mischief, and does not, and never did in all history, permanently prevent its depreciation. The power of legal tender annexed to the note only assists, the more hopelessly, to unsettle values and demoralize all dealing between man and man.

If our people will but read the history of this subject in all countries—reflect upon it, and examine it by the light of experience, I feel confident that they will willingly accept the councils of Washington, Jefferson, Hamilton, Madison, Jackson, Webster and Calhoun, and reject the modern lights afforded by Kelley and Butler and Wendell Phillips.

A restoration of confidence will "inflate" in a wholesome way, because it will encourage until capital to come out of its hiding-places and embark in enterprises which will give employment to labor and increase production.

Should such outlays become excessive and degenerate into speculative schemes, they will grow and burst; then "panics" will come, and then "contraction" follows the withdrawal of capital.

Every era of reckless speculation is followed by a season of timorous distrust—such as now exists.

Witness the wild embarkation of capital upon vast and premature enterprises, such as the Northern Pacific Railroad, in the construction of which tens of millions of dollars were buried, for this generation at least. The victims of this speculation are to be numbered by thousands, and I have now before me a glowing oration, by W. D. Kelley, M. C., delivered in Philadelphia in June, 1871, inviting everybody to put their money into this "magnificent undertaking." His promises and pictures of profit and prosperity were as abundant and confident as those with which he now seeks to allure the people of the United States into his patent "green-back bonding scheme." And the misery his oratory assisted them to produce would be terribly repeated should he again succeed in misleading his countrymen.

The wreck of railroad properties which we see all over the land makes capital necessary to set them again in operation, and capital in Europe and in this country only awaits the signal of confidence.

Whenever we make it safe to invest, the money will quickly seek investment.

But the main source of confidence in a man or in a people is not so much in their means of payment as in the honest will to pay. Herein is my reliance for the ultimate prosperity of the country. The impulsive people of the Southern States may have crude ideas of finance—may be beguiled by sophisms, and misled by hazy theories in regard to "the dismal science," but I rely upon their sense of good faith and duty of standing by their pledged word.

My trust is in these homebred native qualities. When at the close of the late dreadful struggle they re-entered the Union and became its citizens in name, they did so under the honorable pledge of fidelity to the Government—which includes fidelity to the financial honor and credit of the Government.

Believing this, and trusting them because I love them with a love "that casteth out fear," I would, from the day of their re-entry into citizenship of the Union, have delegated to them their full share of political power, coupling with it a moral responsibility for the public welfare. For if the men of the South lack honor and truth, where shall we look for them? If they lack truth and honor, may Heaven have mercy upon them and us! For we have compelled them to a union that must prove fatal.

No, my friend; in these years of misguided "reconstruction" I have steadily vouched for the good faith of the people of the South, and asked only that they should be permitted to get upon their feet, to resume their place in the Union, to speak freely in their own voice, and through their own representatives. And every pledge I made for them they have kept, and every promise I made has been fulfilled just in proportion to the relaxation of the grasp of military power from their throats, and the withdrawal of inimical interference with their local affairs. Wherever they have been allowed to rehabilitate their States, and save themselves from negro domination, from Virginia to Texas, they have justified the expectations of their friends and overwhelmed with confusion the prophecies of their foes.

Public opinion in the North has at last recognized this truth, and compelled Williams to retire from the Department of Justice, (?) branded as a malicious slanderer, and taught even Morton that his "bloody shirt" may prove to him a shirt of Nessus.

And now I appeal to every man among you—and to none so confidently and directly as to those who risked their lives in battle for the independence of the Southern States from this Government—crown your pledge of citizenship with a new proof of fealty; put under foot the dangerous methods of assault upon the credit and prosperity of our common country, which are contained, intentionally or ignorantly, but always certainly, in measures which involve a violation of the recognized laws of finance which the commercial world adopts for its Government; eschew the plans and schemes of Kelley, Butler and Phillips, and stand by and insist upon a restoration of the standard of value in our dealings as the basis of our currency, State or Federal, public or private, according to the Constitution of our fathers.

I do not say a day can at once be fixed upon in which the United States Treasury can announce its ability to pay all the outstanding demand notes in coin—but a system can be inaugurated looking directly to that result which will make resumption an early possibility.

A man cannot be sure he will be in health on a given day next year, but he can live according to the laws of health and the result will naturally follow.

Let us have good will and mutual kindness restored among our countrymen; an Administration at Washington friendly to the South, as well as to the other sections of the country; a sound economy in raising and expending public revenue; honesty, old-fashioned and precise in administration, and a declared policy of restoring a specie basis for the money of our people, and we may then look for a tide to set in, bearing confidence upon its bosom. "Contraction" will become "expansion," and prosperity will smile again upon us and our children's children in a union of coequal States.

Sincerely your friend,

T. F. BAYARD.

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